



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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Auditor-Controller

SUBJECT: **DEPARTMENT OF PUBLIC SOCIAL SERVICES – REVIEW OF GEARS
SYSTEM**

We have completed a review of the process used by the County to make transportation and ancillary payments to Greater Avenues for Independence (GAIN) and Refugee/Immigrant Training and Employment (RITE) program participants. The payments are processed by contractor and County staff utilizing the Department of Public Social Services' (DPSS) GAIN Employment and Activity and Reporting System (GEARS). Contractors include ACS State and Local Solutions (ACS), MAXIMUS, and 11 RITE program providers. The review was conducted because of fraudulent payments made by certain RITE contractors.

SCOPE

The purpose of our review was to sample transportation and ancillary payments made through GEARS by DPSS, ACS, and MAXIMUS staff to verify that the payments were appropriate and supported by proper documentation. We also evaluated GEARS' security to determine if adequate controls are in place to minimize the likelihood of unauthorized payments. We did not review payments made by RITE providers because they were reviewed as part of a fraud investigation (discussed below) and are included in the reviews performed as part of the County-wide Contract Monitoring Pilot Project.

SUMMARY OF FINDINGS

In response to the RITE provider fraud, DPSS implemented several system changes to enhance security over the payment process. For example, all payments are now subject to at least one supervisor's review and approval. In addition, only users with the

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highest security level can access closed/inactive cases. The recent system changes have significantly improved internal controls over payments. However, we identified several areas where additional improvements can be made. Following are examples of our key findings:

1. **DPSS/contractors need to ensure participants are paid only for eligible expenditures and that proper documentation is obtained to support any payments made.** We reviewed a sample of transportation and ancillary payments on a total of 104 cases to determine if payments were appropriate and properly supported by documentation. We identified approximately \$66,000 in questionable payments. For example, we noted ancillary payments made without supporting receipts and transportation payments made without supporting pay stubs or Verification of Employment forms.
2. **DPSS/contractors do not always ensure that LEADER reflects income for each month the participant received a transportation payment due to employment.** Whenever an employee receives a transportation issuance because they are employed, the participant's income information should be entered on the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting System (LEADER). Recording the income on LEADER helps ensure the participant is not overpaid on their California Work Opportunity and Responsibility to Kids (CalWORKs) grant amount. We sampled 27 cases where the participant received transportation because they were employed. In 14 (52%) cases, LEADER did not reflect income for at least one month for which the participant received a transportation payment.
3. **DPSS/contractors do not always ensure overpayments are recorded on GEARS whenever participants do not submit supporting receipts within ten days following their receipt of an ancillary payment.** Participants are eligible to receive ancillary payments in advance of providing supporting receipts. Participants are required to submit the receipts to the GAIN caseworker within ten days of receiving a payment. If the participant does not submit the receipts, the caseworker should create an overpayment record on GEARS to initiate collection efforts. We sampled 31 cases, totaling \$30,979 (from a population of over 50,000 cases, totaling over \$5 million), where a participant received an ancillary payment, but GEARS showed that the participant did not submit receipts (or DPSS/contractors did not update GEARS to reflect that the participant submitted receipts) within 30 days. We found that 16 (52%) transactions, totaling \$17,825, were not reflected on GEARS as overpayments.
4. **DPSS/contractors do not periodically evaluate the propriety of individuals with GEARS access and their respective authorization levels.** We reviewed the security access levels at a sample of ten locations and identified 397 users that need to have their GEARS access cancelled. Several of the 397 users had terminated service over two years ago.

5. **DPSS needs to develop additional reports to assist managers in monitoring payment activity.** Although DPSS developed some new reports as a result of the RITE provider fraud, additional reports are needed. These reports should highlight high dollar payments, show monthly trends of payments made by each location, and show payments made on inactive cases.

Details of these and other findings and recommendations are contained in the attached Comments and Recommendations section of our report.

REVIEW OF REPORT

We discussed our report with DPSS management. The Department's response, attached, indicates agreement with all the recommendations. The Department indicates that all 23 recommendations will be implemented by September 30, 2004.

We thank DPSS management and staff for their cooperation and assistance during our review. If you have any questions regarding this report, please contact me or have your staff contact DeWitt Roberts at (626) 293-1101.

JTM:DR:RD
Attachment

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Department of Public Social Services
GEARS System Review

BACKGROUND

DPSS implemented the GAIN Employment Activity and Reporting System (GEARS or System) in 1988 to track and report participant and provider activities in the Greater Avenues for Independence (GAIN) program. The Department contracts with Electronic Data Systems (EDS) Corporation to maintain and operate the system.

One of GEARS' primary functions is to issue transportation and ancillary (e.g. books, tools, uniforms, etc.) payments to California Work Opportunity and Responsibility to Kids (CalWORKs) grant recipients who are participants in GAIN or the Refugee/Immigrant Training and Employment (RITE) Program. Payment transactions are entered into GEARS by 13 contract agencies and 28 DPSS offices. The contract agencies include ACS State and Local Solutions (ACS), MAXIMUS, and 11 RITE Program providers.

GEARS creates an electronic file of daily payment transactions, which is then sent to the Auditor-Controller (A-C) to print and mail the warrants. During Fiscal Year 2002-03, DPSS and contract agencies issued over \$28.3 million in transportation and ancillary payments.

SCOPE

The purpose of our review was to sample transportation and ancillary payments made through GEARS by DPSS, ACS, and MAXIMUS staff to verify that the payments were appropriate and supported by proper documentation. We also evaluated GEARS' security to determine if adequate controls are in place to minimize the likelihood of unauthorized payments. We did not review payments made by RITE providers because they were reviewed as part of a fraud investigation (discussed below) and are included in the reviews performed as part of the County-wide Contract Monitoring Pilot Project.

COMMENTS AND RECOMMENDATIONS

Fraud Investigation

In March 2003, it was discovered that employees at several RITE agencies had exploited internal control weaknesses over the disbursement of payments and issued approximately \$3 million in fraudulent payments. Among the internal control weaknesses that contributed to the fraud were the following:

- Both contractor and County staff could issue transportation payments without another individual involved in the transaction. For instance, for payments up to \$150, GAIN Services Workers (GSW) could authorize a payment without obtaining approval by a supervisor.

- Both contractor and County staff could access closed/inactive cases (“X” files) and issue payments against them without a supervisor’s approval.
- Users could change participant addresses prior to issuing a warrant. The fraud investigation determined that, in some cases, users changed participant addresses and had the warrants mailed to different addresses, where the user would then pick up the warrants. They would then change the address back to the original address (as discussed in the Address Changes section below, this problem still exists).

In response to the fraud, DPSS has implemented system changes to address these and other internal control weaknesses. Among the changes implemented were:

- All payments are now subject to at least one supervisor’s review and approval. In addition, contractor staff can only authorize payments. The payments must be approved by County staff.
- Only users with the highest security level can access closed/inactive cases.
- GEARS now logs the User Identification (User ID) of the users entering and/or approving all payment transactions.

The recent system changes have significantly improved internal controls over payments. Under the current system, an individual (usually a GAIN Services Worker) authorizes the payment on GEARS. The payments must then be approved on GEARS by supervisory staff. The required approvals depend on the type of payment and the dollar amount.

Each payment must be approved by a GAIN Services Supervisor (GSS) or a Deputy Regional Administrator (DRA). If a transportation payment is over \$150 (\$200 for ancillaries) or the total cumulative transportation payments on the case for the month exceeds \$150 (\$200 for ancillaries), two approvals are required. One of the two approvals must be a DRA. Contract staff do not have GSS or DRA security profiles. Therefore, they must refer all payment authorization requests to DPSS staff for approval.

The remainder of this report provides recommendations to further improve the payment process and enhance system security.

Review of Transportation and Ancillary Payments

GAIN participants are eligible to receive a variety of benefits to assist them as they transition from welfare. Among the benefits available to GAIN participants are payments for child care; reimbursement for transportation to and from work, school, or a

GAIN activity; and reimbursement of expenditures for ancillary items (e.g. books, clothes, supplies, etc.) needed for work or school.

We examined a sample of GAIN participant case files to ensure that transportation and ancillary payments were appropriate and supported by required documentation. GAIN regulations outline the documentation required to support transportation/ancillary payments. For example, if a participant requests a transportation payment because they are working, the participant is required to submit documentation such as pay stubs and a Verification of Employment (VOE) form signed by the employer. Ancillary payments must be supported by receipts.

Questionable Payments

We visited six facilities (three DPSS, two ACS, and one MAXIMUS location) and reviewed sample payments on a total of 104 cases to determine if payments were appropriate and properly supported by documentation. Our sample focused primarily on large dollar payments, payment amounts at or near the thresholds requiring supervisory approval, and potential duplicate payments.

For 70 cases, the payments we tested appeared to be appropriate and supported by documentation. However, for the remaining 34 cases, we identified over \$66,000 in questionable payments (\$4,600 at DPSS offices, \$53,200 at ACS, and \$8,100 at MAXIMUS). Following are examples of problems noted:

- Ancillary payments were not supported by receipts or the receipts submitted did not fully support the expenditure. For example, one participant received \$875 in ancillaries, but did not submit any receipts.
- Transportation payments were made without pay stubs and/or VOEs on file. For example, one participant received six months of transportation payments, totaling \$16,000, for travel to work in Fresno that was not supported by pay stubs. This was the largest payment we questioned.
- Payments made with questionable supporting documentation. In many instances, participants submitted receipts that appeared to be of the kind readily available at office supply stores or printouts from Internet orders, with no evidence that the items were actually purchased. In other instances, participants submitted questionable payroll records and VOEs. For example, in some cases, the employer's signature appeared to be the same as the participant's signature. In another case, the participant submitted a pay stub that did not show any taxes deducted.
- Duplicate payments where participants were paid twice for the same expenditures.

- A participant was paid \$439 for car maintenance. Although GAIN regulations allow reimbursement for car repairs, routine maintenance is not reimbursable.

The table below summarizes the \$66,000 in questionable payments by agency and type of exception:

Summary of Questionable Payment Exceptions						
	DPSS		ACS		MAXIMUS	
	#	Amount	#	Amount	#	Amount
Ancillary Payments not supported by receipts	5	\$ 2,239	5	\$ 1,670	4	\$ 7,590
Questionable transportation payments	1	\$ 1,176	12	\$35,504	0	\$ -
Transportation payments or payments without paystubs or VOE	2	\$ 992	1	\$16,020	0	\$ -
Duplicate payments	2	\$ 228	0	\$ -	1	\$ 82
Unallowable Expenses	0	\$ -	0	\$ -	1	\$ 439
Totals	10	\$ 4,635	18	\$53,194	6	\$ 8,110

We also noted payments on two cases (one at ACS and one at MAXIMUS) that appeared to be excessive. For example, in one instance, a participant received two payments, totaling \$3,600, for hair care and beauty products. GAIN regulations require that the need for expenses be documented or demonstrated that they are clearly reasonable. There was no documentation from the employer indicating the need for these products.

For seven of the 104 case files reviewed, we had significant concerns regarding the supporting documentation for the payments. We advised DPSS to refer these cases to DPSS' Welfare Fraud Prevention and Investigations Section for further investigation to determine if fraud occurred.

To minimize questionable payments to participants, DPSS needs to ensure that user locations (DPSS, ACS, and MAXIMUS offices) pay participants only for eligible expenditures and that proper documentation is obtained to support any payments made. The Department should also provide fraud awareness training to assist workers in identifying potential fraudulent cases that need to be referred to the Welfare Fraud Prevention and Investigations Section for further investigation.

Recommendations

DPSS:

1. **Ensure user locations pay participants only for eligible expenditures and that proper documentation is obtained to support any payments made.**
2. **Provide fraud awareness training to assist workers/contractors in identifying potential fraudulent cases.**

Splitting Payments

Within GEARS, there are various levels of approval that must be applied to each payment, depending on the dollar amount. Prior to the recent system modifications, transportation payments up to \$150 did not require a second-level approval. Transportation payments between \$150.01 and \$350 required the approval of a GAIN Services Supervisor (GSS), while payments over \$350.01 required Deputy Regional Administrator (DRA) approval. For ancillaries, payments up to \$250 required GSS approval, while payments over \$250 required DRA approval.

Our review of the 104 cases disclosed 12 instances (eight at DPSS offices, two at ACS, and two at MAXIMUS) where payments were split to avoid requiring additional supervisory approval. In 11 instances, the split payments were enough to require GSS approval, but avoid DRA approval. For example, one transaction for \$450 was broken down into two payments of \$225 each so the DRA would not need to approve the transaction. We also noted two instances where the GSW split the payments to avoid GSS approval.

Splitting payments circumvents the basic essential controls. Splitting payments also contaminates the database with additional payment transactions. This can result in management making incorrect decisions based on inaccurate data. Therefore, DPSS needs to instruct workers/contractors to not split payments and monitor to ensure compliance.

Recommendation

3. **DPSS instruct workers/contractors to not split payments and monitor to ensure compliance.**

Status

DPSS implemented this recommendation during our review.

Income Reporting

CalWORKS recipients, who are employed through the GAIN Program, are required to report their income to DPSS by submitting a monthly CW-7 (Monthly Reporting Form). District staff enter the reported income into the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting System (LEADER). Generally, when participants report income, their monthly CalWORKS grant amount is reduced.

We sampled 27 cases where the participant received transportation payments and GEARS showed that the participant was employed (GEARS shows start and end dates of employment and estimated earnings). We then determined if any income had been reported on LEADER for the months the participant received a transportation payment. If LEADER does not reflect income, it would indicate that the participant was potentially overpaid on their CalWORKS grant.

We noted the following:

- For 13 (48%) cases, LEADER reflected income for each month the participant received a transportation payment.
- For eight (30%) cases, LEADER did not reflect income for any months in which the participant received a transportation payment.
- For six (22%) cases, LEADER reflected income for only some of the months that the participant received a transportation payment.

In summary, for 14 (52%) cases, LEADER did not reflect income for at least one month in which the participant received a transportation issuance. The total transportation payments issued to these participants during these months was \$19,056. We concluded that either the participant did not report the income on the CW7 or district staff did not enter the reported income on LEADER.

DPSS needs to ensure that LEADER reflects income for participants who receive a transportation payment due to employment. Consequently, DPSS should evaluate the feasibility of developing an automated interface between GEARS and LEADER whereby the employment information entered on GEARS is automatically updated on LEADER. If DPSS determines an automated interface is not cost effective, it should develop alternative controls to address this issue. For example, DPSS could produce GEARS reports showing cases that have income information recorded on the system. These reports could be forwarded to a central location to enter the information on LEADER.

Recommendations

4. **DPSS evaluate the feasibility of developing an automated interface between GEARS and LEADER whereby the employment information on GEARS is automatically updated on LEADER.**

5. If an automated interface is determined to be not cost effective, DPSS develop alternative controls to ensure that LEADER reflects income for any months the participant received a transportation issuance due to employment.

Ancillary Overpayments

Participants are eligible to receive ancillary payments in advance of providing receipts. Participants are required to submit receipts to the GAIN caseworker within ten days of receiving a payment. Upon receiving the receipts, the caseworker enters the date in the "Needs Verification Date" field in GEARS.

If the Needs Verification Date field remains blank for ten days after the payment has been issued, GEARS alerts the caseworker who is required to send a letter to the participant requesting receipts. If the participant still does not submit the required receipts, then the caseworker should manually create an overpayment record in GEARS. The overpayment must be created manually because GEARS does not automatically create the overpayment record.

We reviewed the GEARS data base to determine whether there were any records where the Needs Verification Date field is blank, but the payment was issued more than 30 days ago. A blank in the field indicates either that the participant has not submitted a receipt or that staff did not update GEARS to reflect verification of the receipt.

We found that 182,172 ancillary payments totaling \$17,859,752 were made between January 1, 2000 and June 30, 2003. Of this amount, 57,104 (31%) payments, totaling \$5,421,680, were issued more than 30 days prior to June 30, 2003, but the Needs Verification Date field is blank. The table below provides an aging of the ancillary payments that have remain unverified for at least thirty days as of June 30, 2003. The table shows that the majority, 39,251 (68.7%), have remain unverified for over one year.

Aging of Unverified Ancillary Payments				
<u>Days</u>	<u>Transactions</u>	<u>% of Transactions</u>	<u>Authorized Amount</u>	<u>% of Total Authorized Dollars</u>
30 - 89	2,847	5.0%	\$ 266,117	4.9%
90 - 179	5,266	9.2%	558,035	10.3%
180 - 365	9,740	17.1%	962,950	17.8%
365 >	39,251	68.7%	3,634,578	67.0%
Totals	57,104	100.0%	\$ 5,421,680	100.0%

From the 57,104 payments that were not verified within 30 days, we sampled the 31 largest payments (15 at DPSS, six at ACS, and ten at MAXIMUS), totaling \$30,979, to determine if an overpayment for each had been recorded on GEARS. We found that 16

transactions (52%), totaling \$17,825, were not reflected on GEARS as overpayments. This included seven DPSS cases, one ACS case, and eight MAXIMUS cases.

DPSS/contractors need to ensure overpayments are recorded on GEARS whenever participants do not submit supporting receipts within ten days following their receipt of an ancillary payment. One method to accomplish this would be to enhance GEARS so that overpayments are automatically recorded on GEARS whenever an ancillary payment has been made, but the participant has not submitted supporting receipts within ten days.

Recommendation

- 6. DPSS/contractors ensure overpayments are recorded on GEARS whenever participants do not submit supporting receipts within ten days following their receipt of an ancillary payment.**

Ancillary Date Edits

When a participant receives an ancillary payment in advance (i.e., before incurring the expense), the caseworker enters a "Y" in the Ancillary Advance Flag field in the payment screen. When the participant later submits receipts supporting the expense, the caseworker enters the date in the Needs Verification Date field. Since advance payments occur before the participant incurs the expense, the Needs Verification Date should not precede the Ancillary Authorization Date.

We analyzed ancillary payments advanced to participants and determined that, for the period January 1, 2000 to June 30, 2003, there were 67,427 instances where the Needs Verification Date preceded the Ancillary Authorization Date. Although these errors do not affect the amount paid to participants, they result in inaccurate data being reflected on the system.

DPSS should remind workers/contractors of the importance of entering accurate dates in the Needs Verification Date field. In addition, DPSS should evaluate the feasibility of modifying GEARS to automatically record the Needs Verification Date to reflect the actual date that the caseworker verified the support for the ancillary payment. This will ensure that accurate Needs Verification dates are recorded in the GEARS database.

Recommendations

- 7. DPSS remind workers/contractors of the importance of entering accurate dates in the Needs Verification Date field.**
- 8. DPSS evaluate the feasibility of modifying GEARS to automatically record the Needs Verification Date to reflect the actual date that the caseworker verified the support for the ancillary payment.**

Overpayment Collections

We sampled 24 overpayment cases (11 at DPSS, 9 at ACS, and four at MAXIMUS), totaling \$20,286, and noted that \$15,705 (\$5,394 at DPSS, \$7,555 at ACS, and \$2,756 at MAXIMUS) had not been collected. For 21 (88%) of these cases, the location made subsequent ancillary and/or transportation payments to the participants, even though the participant had outstanding overpayments.

GEARS reflects an overpayment balance of \$4.2 million due to ancillary/transportation overpayments. To maximize overpayment recoveries, DPSS should evaluate the feasibility of modifying GEARS to either prevent payments being made on any case with an outstanding overpayment or to automatically offset overpayments against future approved payments. DPSS should develop alternative controls if modifying GEARS is determined to be not cost effective. For example, DPSS could develop procedures requiring supervisors to check GEARS for outstanding overpayments before approving an ancillary/transportation payment.

Recommendation

- 9. DPSS evaluate the feasibility of modifying GEARS to either prevent payments being made on any case with an outstanding overpayment or to automatically offset overpayments against future approved payments. DPSS develop alternative controls if modifying GEARS is determined to be not cost effective.**

Security

DPSS assigns each GEARS user a User ID and an access group. Individuals must enter a valid User ID and password to access GEARS. The individual's access group determines which system functions the user can perform. For instance, users in access groups beginning with the letters "GW", "GS", and "GR" have the ability to authorize/approve payments. Upon proper approvals by DPSS' Information Technology Division (ITD), Electronic Data Systems (EDS) adds users to the GEARS Security Table.

The Security Table includes over 3,660 User IDs with profiles beginning with "GW", "GS", or "GR". It should be noted that some employees have more than one User ID. For example, since Deputy Regional Administrators oversee several locations, they typically have a User ID for each location they supervise.

Reviewing Access Groups

County Fiscal Manual (CFM) Section 7.6.4 requires managers to evaluate the propriety of individuals with access to the system and their respective authorization levels. This helps ensure that employees with access to the system still work for the department and that their authorization levels are appropriate based on their job responsibilities.

Managers at DPSS, ACS, and MAXIMUS do not periodically review GEARS access assignments. As a result, we noted numerous individuals who should have had their access terminated. Specifically, for a sample of ten locations, we reviewed the Security Table and interviewed regional managers to determine if individuals with the ability to authorize/approve payments require this capability. Our review disclosed numerous exceptions. For instance, for these ten locations, there are 837 User IDs on the Security Table that have an access group beginning with "GW", "GS", or "GR". However, based on discussions with regional managers, 397 of these User IDs should not be on the table. Based on interviews with selected managers, the managers did not recognize the names of many of the individuals associated with these User IDs. In several other instances, the managers indicated that the individual terminated service at the location. Several had terminated over two years ago, including one individual who had a User ID at 35 different locations.

DPSS does not have procedures that require the locations to initiate removing User IDs for employees who no longer require access to GEARS. Consequently, it is not unusual for the locations not to notify the Information Technology Division of the need to remove a User ID because of an employee's termination or transfer. In addition, user locations do not receive any reports showing access assignments.

To assist locations in identifying users that may need to be removed from the Security Table, DPSS should provide user locations with periodic reports showing access assignments. Location managers should be required to certify that they have reviewed the reports and initiated action to delete or modify access assignments, as appropriate.

Recommendations

DPSS:

- 10. Implement procedures for timely removing unneeded User IDs from the Security Table.**
- 11. Provide user locations with periodic reports showing access assignments.**
- 12. Require location managers to certify that they have reviewed the reports and initiated action to delete or modify access assignments, as appropriate.**

Automated Access Controls

Computer systems should be designed to make it difficult for unauthorized individuals to gain access to the system. Chapter 7 of the CFM outlines some automated access controls that should be in place to minimize the risk of unauthorized access. These include locking user accounts after a series of failed log-on attempts, forcing users to

periodically change their password, and requiring that passwords be at least a certain number of characters in length.

Our review of GEARS' automated access controls disclosed the following:

- GEARS does not lock a user account after a series of failed log-on attempts. Implementing this control would help prevent unauthorized access through password guessing.
- GEARS user passwords do not expire and can be used indefinitely. GEARS passwords should be set to expire at least every 90 days. The system should also keep an internal log of the last several passwords used in order to force individuals to use different passwords when prompted for a password change.
- GEARS does not deactivate users who have not logged-on within a certain time period (e.g., within the last three months).
- GEARS passwords can be between one and eight characters in length, which is not in compliance with the County's password standard of at least six characters.

DPSS needs to strengthen GEARS automated access controls by modifying the system to address the automated access control weaknesses cited above.

Recommendation

13. DPSS modify GEARS to:

- a) **lock a user's account after a series of failed log-on attempts.**
- b) **require users to change their password at least once every 90 days.**
- c) **require individuals to use different passwords when prompted for a password change.**
- d) **deactivate users who have not logged-on within a certain time period (e.g., within the last three months).**
- e) **require passwords of at least six characters.**

Address Changes

GEARS allows users to change a participant's address during the payment generation process. This was one of the contributing factors in the recent fraud involving payments to GAIN participants.

Currently, caseworkers can change the participant's address on a payment at any time during the payment process, up until the time EDS generates the payment file. A caseworker can change the address even after the payment has been approved by a supervisor. This ability could allow a caseworker to divert payments to an unauthorized address.

To improve controls over participant addresses, DPSS should restrict the ability to change addresses to supervisory personnel.

Recommendation

- 14. DPSS restrict the ability to change participant addresses to supervisory personnel.**

Audit Logging of Access Activities

Most access control software can automatically log computer access activity, both successes and failures. For example, access control software can log computer activity initiated through a specific User ID or computer terminal. This information provides management an audit trail to monitor suspicious activities, such as attempts to hack into the system or attempts to gain access to restricted areas within the system.

CFM Section 7.6.4 indicates that a report should be generated that identifies attempted unauthorized access and that each incident be investigated and appropriate corrective action taken. GEARS does not maintain an internal electronic audit log of attempts to access the system. As a result, DPSS management is unable to detect potential or actual GEARS security violations.

DPSS needs to modify GEARS to log computer access. In addition, management should periodically review the log to identify patterns or trends that indicate potential abuses of access privileges or attempted access violations.

Recommendations

DPSS:

- 15. Modify GEARS to log computer access.**
- 16. Periodically review the log to identify patterns or trends that indicate potential abuses of access privileges or attempted access violations.**

Reconciling Payment Data

GEARS generates an electronic file of daily payment transactions. EDS sends this file to DPSS' Information Technology Division (ITD). ITD then sends the file to the Auditor-Controller to generate the warrants.

ITD compares the amount of the daily payment file to the amount on the warrant file. However, no one within DPSS reconciles amounts on the warrant file to the Countywide Accounting and Purchasing System (CAPS). In addition, DPSS does not reconcile GEARS payment reports to the daily payment file.

To ensure proper posting of payment information, DPSS should reconcile the total dollar amount on the warrant file to CAPS. In addition, DPSS should reconcile GEARS payment reports to the daily payment file to ensure that unauthorized transactions have not been added to the file. To achieve a proper separation of duties, both reconciliations should be performed by individuals who are independent of the payment process.

Recommendations

DPSS:

- 17. Reconcile the amount on the Auditor-Controller's warrant file to the Countywide Purchasing and Accounting System.**
- 18. Reconcile GEARS payment reports to the daily payment file.**
- 19. Ensure that both reconciliations are performed by individuals who are independent of the payment process.**

Reports

At the time the fraud occurred, GEARS produced only a few reports showing payment activity. In addition, there were no procedures for how users should utilize the reports and none of the reports were organized in a manner that would allow management to identify unusual activity. For example none of the reports highlighted high dollar payments or showed payment trends.

In response to the fraud, DPSS management implemented new reports. For instance, one monthly report lists all cases in which ancillary payments exceeded \$150 during the month. The report also shows the User ID of individuals who authorized and approved the payment. This important information was lacking in previous reports.

We commend DPSS management for taking action to develop new reports. However, we believe that additional reports are needed which highlight potential fraudulent activity. Therefore, DPSS should consider convening a committee to develop additional reports to assist managers (both managers at each location and DPSS central management) in monitoring payment activity. Following is a list of some suggested reports.

- Trend Analysis Report – This report would show a monthly trend analysis of payments made by each location during the previous 12 months.
- High Dollar Transportation Payments – This monthly report would show any cases where the total payments during the month exceeded a specified dollar amount, as determined by DPSS management.
- High Dollar Ancillary Payments - This monthly report would show any cases where the total payments during the month exceeded a specified dollar amount, as determined by DPSS management.
- Payments on Inactive Cases – This monthly report would show any payments made on inactive cases.
- Retroactive Transportation Payments – This monthly report would show any retroactive payments made.
- Overpayment Aging Report – This report would age outstanding overpayments.

Once the reports have been developed, DPSS should provide users with instructions for utilizing each report. In addition, DPSS should periodically assess the effectiveness of the reports and make modifications, as appropriate.

Recommendations

DPSS:

- 20. Convene a committee to develop additional reports to assist managers in monitoring payment activity.**
- 21. Provide users with instructions for utilizing each report.**
- 22. Periodically assess the effectiveness of the reports and make modifications, as appropriate.**

Current GEARS reports are designed to show payment activity for each location. For example, ACS makes payments at five different locations. Each location is assigned a different location code and ACS management receives five sets of GEARS reports (one for each location).

We noted that all RITE providers have a location code of #9089, even though there are 11 different RITE providers. As a result, there are no GEARS reports showing the number and dollar amount of payments issued by each individual RITE provider.

DPSS should modify GEARS so that reports show the number and dollar amount of payments issued by each RITE provider. This will allow RITE managers to receive reports showing payment activity for their locations. It will also allow DPSS management to better monitor payments made by each RITE provider.

Recommendation

- 23. DPSS modify GEARS so that reports show the number and dollar amount of payments issued by each individual RITE provider.**

County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES

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Director



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July 21, 2004

J. Tyler McCauley, Auditor-Controller
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room #525
Los Angeles, California 90012-2766

Dear Mr. McCauley:

RE: DEPARTMENT OF PUBLIC SOCIAL SERVICES REVIEW OF GEARS SYSTEM

Enclosed is my Department's corrective action response to the 23 recommendations contained in the Auditor Controller's (A-C) report on the Department of Public Social Services Review of the GEARS System.

We agree with all recommendations contained in the report. Eleven of the recommendations have already been implemented. Corrective action on the remaining 12 recommendations is targeted for implementation as follows: two recommendations by July 31, 2004, three recommendations by August 31, 2004, and seven recommendations by September 30, 2004.

I would like to take this opportunity to express my thanks and appreciation to the A-C staff involved in this review.

If you have any questions regarding our response, please have your staff contact Gail Dershewitz at (562) 908-5879.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Bryce Yokomizo'.

Bryce Yokomizo
Director

BY:wb

Enclosure

ENCLOSURE

**DEPARTMENT OF PUBLIC SOCIAL SERVICES RESPONSE TO
THE AUDITOR-CONTROLLER RECOMMENDATIONS ON THE
REVIEW OF GEARS SYSTEM**

RECOMMENDATION 1

Ensure user locations pay participants only for eligible expenditures and that proper documentation is obtained to support any payments made.

RESPONSE

DPSS agrees with the recommendation. To ensure expenditures are issued to eligible participants, on February 27, 2004, DPSS implemented a two level County Issuance Approval process, which requires review of case records, supportive documentation and automated case information. This documentation is to be reviewed by County GAIN Services Workers (GSW), GAIN Services Supervisors (GSS) and, if appropriate, by the District Regional Administrators (DRA). Contract (ACS and MAXIMUS) management staff must submit the participant's request (GN 6151) to County staff and include a checklist with back-up documentation to support and justify the request for supportive services.

STATUS

Implemented: February 27, 2004

RECOMMENDATION 2

Provide fraud awareness training to assist workers/contractors in identifying potential fraudulent cases.

RESPONSE

DPSS agrees with the recommendation. DPSS delivered refresher course training to contracted and non-contracted staff on April 5-7, 2004 and on June 9 and 10, 2004. The topics addressed by this training included, but were not limited to:

- Awareness of potential fraudulent issuances
- Identification of suspicious documentation provided by the participant pertaining to transportation and ancillary requests.

The GAIN Issuance Monitors (GIM) who review cases for potential fraud provide workers/contractors with case review findings, which include information on potential fraudulent issuances.

STATUS

Implemented: June 10, 2004

RECOMMENDATION 3

DPSS instruct workers/contractors to not split payments and monitor to ensure compliance.

RESPONSE

DPSS agrees with the recommendation. GEARS has been modified to prevent split payments as of July 31, 2003, by requiring GSS approval of all issuances regardless of payment amount. The County implemented a three level approval processes on March 1, 2004.

Additionally, the GIMs conduct case reviews and monitor issuances to ensure compliance. Findings by GIMs on split payments are documented on the GN 6050, "Case Activity Record", and corrective action by the workers/contractors is required.

STATUS

Implemented: March 1, 2004

RECOMMENDATION 4

DPSS evaluate the feasibility of developing an automated interface between GEARS and LEADER whereby the employment information on GEARS is automatically updated on LEADER.

RESPONSE

On November 20, 2001, DPSS created a Monthly Report, GRRCM13D, "Participants with Employment Added in Report Month Detail Report for District Locations", which prints at each CalWORKs District. Eligibility staff update LEADER with the employment information entered by the GSW on the MEPP screen in GEARS.

DPSS agrees with the recommendation. GEARS System enhancement, LEADER 14, was implemented on June 15, 2004. This enhancement accepts employment information from LEADER through the daily interface, including employer, salary, etc. This enhancement provides the GSW with data necessary to complete the MEPF (Employment Placement/Maintenance) Screen on GEARS.

STATUS

Implemented: June 15, 2004

RECOMMENDATION 5

If an automated interface is determined to be not cost effective, DPSS develop alternative controls to ensure that LEADER reflects income for any months the participant received a transportation issuance due to employment.

RESPONSE

DPSS agrees with the recommendation. DPSS implemented the automated interface between GEARS and LEADER for this process. Refer to DPSS' response to recommendation 4.

STATUS

Implemented: June 15, 2004

RECOMMENDATION 6

DPSS/contractors ensure overpayments are recorded on GEARS whenever participants do not submit supporting receipts within 10 days following their receipt of an ancillary payment.

RESPONSE

DPSS agrees with the recommendation. To reinforce that overpayments are recorded on GEARS, DPSS is in the process of revising an Administrative Directive (AD) on overpayments. Additionally, the Specialized Supportive Services Section will provide ancillary expense training to contractors by August 31, 2004.

The GIMs will cite errors if receipts for ancillary payments are not verified within the ten-day requirement. Errors are also cited if overpayments are not reflected on GEARS. Corrective action will be required within ten days from the date of the GIM's case review.

STATUS

Implementation Target Date: August 31, 2004

RECOMMENDATION 7

DPSS remind workers/contractors of the importance of entering accurate dates in the Needs Verification Date field.

RESPONSE

DPSS agrees with the recommendation. DPSS will update the current Administrative Directive on ancillary payments and will provide ancillary expense training to contractors by August 31, 2004.

STATUS

Implementation Target Date: August 31, 2004

RECOMMENDATION 8

DPSS evaluate the feasibility of modifying GEARS to automatically record the Needs Verification Date to reflect the actual date that the caseworker verified the support for the ancillary payment.

RESPONSE

DPSS agrees with the recommendation. DPSS will evaluate the feasibility of modifying GEARS to automatically record the Needs Verification Date to reflect the actual date that the caseworker verified the support for the ancillary payment. If determined to be feasible, DPSS will draft a GEARS change request to modify GEARS by July 31, 2004.

STATUS

Implementation Target Date: July 31, 2004

RECOMMENDATION 9

DPSS evaluate the feasibility of modifying GEARS to either prevent payments being made on any case with an outstanding overpayment or to automatically offset overpayments against future approved payments. DPSS develop alternative controls if modifying GEARS is determined to be not cost effective.

RESPONSE

DPSS agrees with the recommendation. According to ACL #97-72, dated October 29, 1997, counties may defer recovery of supportive services overpayments if the collection of such overpayments would prevent a participant from participating in Welfare to Work activities. Therefore, we cannot prevent payments from going out on every case with existing overpayments.

In the upcoming revised AD on overpayments, we will emphasize that repayments are mandatory and list the repayment options as outlined in the ACL #97-72, dated October 29, 1997.

STATUS

Implementation Target Date: August 31, 2004

RECOMMENDATION (10)

Implement procedures for timely removing unneeded User IDs from the Security Table.

RESPONSE

DPSS agrees with the recommendation. The Information Technology Division (ITD) and Line Operations worked together to clean up all User IDs on the Security Database that were no longer valid. The initial clean up was completed in April 2004, and this task continues on a flow basis as the Regions continue to submit their reconciliation responses. In conjunction with recommendation #11, the monthly Security Profile Report that will be sent to each Location Security Officer (LSO), will provide a list of users for their review and determination of appropriate action.

STATUS

Implementation Target Date: September 30, 2004.

RECOMMENDATION 11

Provide user locations with periodic reports showing access assignments.

RESPONSE

DPSS agrees with the recommendation. ITD will modify the existing Security Profile Report, GRRSECR1, distribute it to each Location Security Officer (LSO) on a monthly basis and provide LSOs with security procedures by September 30, 2004.

STATUS

Implementation Target Date: September 30, 2004

RECOMMENDATION 12

Require location managers to certify that they have reviewed the reports and initiated action to delete or modify access assignments, as appropriate.

RESPONSE

DPSS agrees with the recommendation. Location Managers will follow instructions as outlined in the Security Procedures currently being developed.

In the revised Security Profile being developed, Regional Managers review reports and initiate action to delete or modify access assignments, as appropriate.

STATUS

Implementation Target Date: September 30, 2004

RECOMMENDATION 13

DPSS modify GEARS to:

1. Lock a user's account after a series of failed log-on attempts.
2. require users to change their password at least once every 90 days.
3. require individuals to use different passwords when prompted for a password change.
4. deactivate users who have not logged-on within a certain time period (e.g., within the last three months).
5. require passwords of at least six characters.

RESPONSE

DPSS agrees with the recommendation. DPSS released GEARS Security Memo #002, dated June 15, 2004, modifying the GEARS password system addressing each of the issues mentioned above in recommendation 13.

STATUS

Implemented: June 14, 2004

RECOMMENDATION 14

DPSS restrict the ability to change participant addresses to supervisory personnel.

RESPONSE

DPSS agrees with the recommendation. DPSS released GEARS Memo #892 Advance, dated June 16, 2004, notifying staff that GEARS was modified to restrict participant address changes to supervisory level.

STATUS

Implemented: June 16, 2004

RECOMMENDATION 15

Modify GEARS to log computer access.

RESPONSE

DPSS agrees with the recommendation. DPSS will modify the existing GEARS Log to track the number of failed log-on attempts.

STATUS

Implementation Target Date: September 30, 2004

RECOMMENDATION 16

Periodically review the log to identify patterns or trends that indicate potential abuses of access privileges or attempted access violations.

RESPONSE

DPSS agrees with the recommendation. DPSS will provide the Monthly Log-On Report to each LSO for review and for use in determining potential abuse.

STATUS

Implementation Target Date: September 30, 2004

RECOMMENDATION 17

Reconcile the amount on the Auditor-Controller's warrant file to the Countywide Purchasing and Accounting System.

RESPONSE

DPSS agrees with the recommendation. DPSS will reconcile the amount on the Auditor-Controller's warrant file to CAPS.

STATUS

Implementation Target Date: September 30, 2004

RECOMMENDATION 18

Reconcile GEARS payment reports to the daily payment file.

RESPONSE

DPSS agrees with the intent of the recommendation. DPSS has a process in place to reconcile all daily payment records against Auditor-Controller post-back files. Samples of reports have been provided to A-C.

STATUS

Implemented: June 29, 2004

RECOMMENDATION 19

Ensure that both reconciliations are performed by individuals who are independent of the payment process.

RESPONSE

DPSS agrees with the intent of the recommendation. This process has been implemented in the GEARS system since 1988. Daily payment files are transmitted on a nightly batch cycle that is scheduled to automatically be sent to the A-C and the post back from A-C to GEARS to update the system with the Warrant and Issue date. DPSS reconciles all daily payment files sent to A-C with the post back files, with reports generated from the daily batch process.

STATUS

Implemented: GEARS System implemented in 1988.

RECOMMENDATION 20

Convene a committee to develop additional reports to assist managers in monitoring payment activity

RESPONSE

DPSS agrees with the recommendation. A Committee was convened and reports have been completed. Monthly Transportation reports have been implemented since October 1, 2003. Monthly Ancillary Expense reports have been implemented since January 3, 2004.

STATUS

Implemented: January 3, 2004

RECOMMENDATION 21

Provide users with instructions for utilizing each report.

RESPONSE

DPSS agrees with the recommendation. On June 29, 2004, an Administrative Directive on GIM procedures was released to all case management staff.

STATUS

Implemented: June 29, 2004

RECOMMENDATION 22

Periodically assess the effectiveness of the reports and make modifications, as appropriate.

RESPONSE

DPSS agrees with the recommendation. GAIN Program Division will periodically assess reports starting in September 2004.

A GEARS change request was submitted on July 7, 2004 to sort existing reports (GRRTR150 and GRRAE150) to assist the GIMs in the selection of cases for review. The report will reflect issuances by Region and corresponding CalWORKs District Office.

STATUS

Implementation Target Date: September 30, 2004

RECOMMENDATION 23

DPSS modify GEARS so that reports show the number and dollar amount of payments issued by each individual RITE provider.

RESPONSE

DPSS agrees with the recommendation. DPSS will modify GEARS to ensure that reports show the number and dollar amount of payments issued by each individual RITE provider by July 30, 2004. DPSS will modify current reports to sort and identify at each RITE Agency Indicator and will continue to distribute Agency reports to Community and Senior Services Department for monitoring purposes.

STATUS

Implementation Target Date: July 30, 2004